

WEST IOWA COMMUNITY MENTAL  
HEALTH CENTER

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

JUNE 30, 2011 AND 2010

**MAHONEY & GOTTO COMPANY**  
*Certified Public Accountants*

**Denison, Iowa**

## Table of Contents

	<u>Page</u>
Board of Directors	3
Independent Auditor's Report	5
Financial Statements:	
Statements of Financial Position	8
Statements of Activities	9
Statements of Functional Expenses	10
Statements of Cash Flows	11
Notes to Financial Statements	12-16

West Iowa Community Mental Health Center

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Ulmer	President	2015
Sandy Johnson	Vice-President	2012
Stephanie Wright	Secretary/Treasurer	2014
Robert J. Meyer	Member	2014
Mark Segebart	Member	2012
Annette Watkins	Member	2014
John Sondag	Executive Director	Indefinite

West Iowa Community Mental Health Center

**MAHONEY & GOTTO COMPANY**  
***Certified Public Accountants***

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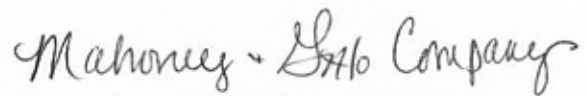
Independent Auditor's Report

To the Board of Directors of  
West Iowa Community Mental Health Center

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of West Iowa Community Mental Health Center (a nonprofit organization) as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Iowa Community Mental Health Center at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
MAHONEY & GOTTO COMPANY  
Certified Public Accountants

October 3, 2011  
Denison, Iowa

West Iowa Community Mental Health Center

## Financial Statements

West Iowa Community Mental Health Center

Statements of Financial Position

June 30, 2011 and 2010

Assets			
		<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$	147,502	\$ 74,344
Accounts receivable, patient services, Less allowance for doubtful accounts of \$50,000 in 2011 and \$35,000 in 2010		63,573	79,153
Grants receivable (Note 2)		23,556	54,855
Prepaid expenses		8,758	8,738
Property and equipment at cost, less accumulated depreciation of \$210,596 and \$204,134 for June 30, 2011 and June 30, 2010 (Note 4)		<u>82,977</u>	<u>89,439</u>
Total assets	\$	<u>326,366</u>	\$ <u>306,529</u>

Liabilities and Net Assets

Liabilities:			
Accounts payable	\$	<u>45,460</u>	\$ <u>29,403</u>
Total liabilities		<u>45,460</u>	<u>29,403</u>
Net assets:			
Unrestricted		<u>280,906</u>	<u>277,126</u>
Total net assets		<u>280,906</u>	<u>277,126</u>
Total liabilities and net assets	\$	<u>326,366</u>	\$ <u>306,529</u>

See notes to financial statements.



West Iowa Community Mental Health Center

Statements of Activities

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS:		
Public support and revenues:		
Public support:		
Crawford County	\$ 150,000	\$ 150,000
CSP Block Grant	12,056	12,867
BI/MR Waiver	22,370	29,752
Remedial Waiver	259,696	236,678
SCL Program	28,343	36,051
Community Link/Mentoring	64,968	15,232
School Based Therapist	41,007	78,468
Contributions	339	318
Kaskie Grant	<u>66,432</u>	<u>26,852</u>
Total public support	<u>645,211</u>	<u>586,218</u>
Revenues:		
Patient fees and Title XIX	322,403	282,940
Realized loss on investments	0	( 9,073)
Net unrealized gain (loss) on investments	0	10,830
Interest income	<u>70</u>	<u>1,322</u>
Total revenues	<u>322,473</u>	<u>286,019</u>
Total public support and revenues	<u>967,684</u>	<u>872,237</u>
Expenses:		
Program services:		
Mental health center programs	33,121	26,831
Support services	<u>930,783</u>	<u>855,796</u>
Total expenses	<u>963,904</u>	<u>882,627</u>
Changes in net unrestricted net assets	<u>3,780</u>	( 10,390)
Total net changes in net assets	3,780	( 10,390)
Net assets at beginning of year	<u>277,126</u>	<u>287,516</u>
Net assets at end of year	<u>\$ 280,906</u>	<u>\$ 277,126</u>

See notes to financial statements.

West Iowa Community Mental Health Center  
Statements of Functional Expenses  
Years Ended June 30, 2011 and 2010

	Program Services Mental Health Center Programs		Support Services Management, and General		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Salaries	\$ 10,502	\$ 10,446	\$ 314,351	\$ 311,447	\$ 324,853	\$ 321,893
Payroll taxes	1,103	1,072	32,824	32,789	33,927	33,861
Employee group insurance	5,059	5,215	91,680	113,640	96,739	118,855
Term life insurance	11	13	313	431	324	444
Retirement	683	190	15,500	16,076	16,183	16,266
Total salaries and related expenses	17,358	16,936	454,668	474,383	472,026	491,319
Consultants	0	0	329,133	304,200	329,133	304,200
Rent	1,750	0	0	0	1,750	0
Dues and subscriptions	0	0	2,664	1,710	2,664	1,710
Insurance	0	0	11,745	17,359	11,745	17,359
Professional fees	4,900	4,046	8,122	7,872	13,022	11,918
Professional books/tests	0	0	185	103	185	103
Conferences & workshops	2,409	259	3,202	2,979	5,611	3,238
Utilities & telephone	303	287	10,204	9,276	10,507	9,563
Advertising	2,395	0	2,592	2,438	4,987	2,438
Office operations expense	3,792	367	76,926	16,703	80,718	17,070
Provision for doubtful accounts	0	0	15,000	0	15,000	0
Mileage	214	1,043	9,881	9,672	10,095	10,715
Programs - Activities	0	3,893	0	0	0	3,893
Property Taxes	0	0	0	0	0	0
	15,763	9,895	469,654	372,312	485,417	382,207
Total expenses before depreciation	33,121	26,831	924,322	846,695	957,443	873,526
Depreciation	0	0	6,461	9,101	6,461	9,101
Total expenses	\$ 33,121	\$ 26,831	\$ 930,783	\$ 855,796	\$ 963,904	\$ 882,627

West Iowa Community Mental Health Center

Statements of Cash Flow

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Changes in net assets	\$ 3,780	\$( 10,390)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,461	9,101
Realized loss on investments	0	9,073
Unrealized loss (gain) on investments	0	( 10,830)
(Increase) decrease in:		
Receivables	15,580	( 5,735)
Grant receivable	31,299	( 14,018)
Prepaid expenses	( 20)	5,326
Increase (decrease) in:		
Accounts payable	16,058	( 1,749)
Deferred liability	<u>0</u>	<u>( 40,889)</u>
Total adjustments	<u>69,378</u>	<u>( 49,721)</u>
Net cash provided (used) by operating activities	<u>73,158</u>	<u>( 60,111)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	0	25,928
(Purchase) of equipment	<u>0</u>	<u>0</u>
Net cash provided by investing activities	<u>0</u>	<u>25,928</u>
Cash flows from financing activities:		
None	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	73,158	( 34,183)
Cash and cash equivalents at beginning of year	<u>74,344</u>	<u>108,527</u>
Cash and cash equivalents at end of year	\$ <u>147,502</u>	\$ <u>74,344</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Notes to Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

A. Evaluation of Subsequent Events

The Center has evaluated subsequent events through October 3, 2011, the date which the financial statements were available to be issued.

B. Reporting Entity

West Iowa Community Mental Health Center is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Crawford and its' surrounding Counties.

The Center is exempt from income tax under Section 501©(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. There was no unrelated business income for the fiscal years ended in 2011 or 2010.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

C. Fund Accounting

The accounts of the Center are organized on the basis of an unrestricted fund.

D. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

E. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

F. Assets and Liabilities

The following accounting policies are followed in preparing the statements of financial position:

Cash and Cash Equivalents – The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statements of cash flows are reported using the indirect method. There were no amounts paid for interest or taxes, nor were there any non-cash transactions to be disclosed.

Receivables – Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment – Property and equipment is stated at cost and are capitalized if the cost exceeds \$500.00. Depreciation is computed by the straight-line method over the estimated useful lives of 3 to 5 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences – Center employees accumulate a limited amount of earned but unused sick pay benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and are computed based on rates of pay in effect at June 30, 2011. This amount was determined to be immaterial for the fiscal years ended June 30, 2011 and June 30, 2010.

G. Patient Services Revenue

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Advertising

The Center expenses advertising costs as incurred. Advertising costs were \$4,987 and \$2,438 for the years ended June 30, 2011 and 2010, respectively.

(2) Grants Receivable

Grants receivable are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
State Department of Human Services	\$ <u>23,556</u>	\$ <u>54,855</u>



(3) Investments

Unrestricted – During the fiscal year ended June 30, 2010 the Center liquidated the certificates of deposit and corporate bonds. The result was a net gain on sale of investments of \$1,757 which is shown an unrealized gain of \$10,830 and a realized loss of \$9,073 on the statement of activities.

(4) Plant Assets and Depreciation

A summary of plant assets follows:

	<u>2011</u>	<u>2010</u>
Furniture and Fixtures	\$ 177,167	\$ 177,167
Land and Buildings	95,659	95,659
Vehicles	<u>20,747</u>	<u>20,747</u>
	293,573	293,573
Less: accumulated depreciation	( <u>210,596</u> )	( <u>204,134</u> )
Net Book Value	\$ <u>82,977</u>	\$ <u>89,439</u>

Depreciation expense for 2011 and 2010, respectively, was \$6,461 and \$9,101.

(5) Pension and Retirement Plan

The Center maintains a defined contribution retirement plan as authorized by the Center's by-laws, which was administered by ePlan Services, Inc. as a Money Purchase Plan. The plan is available to all employees who have worked a minimum of 1,000 hours in the fiscal year.

Under the terms of the plan, the Center contributes an amount equal to 5% of the annual salary for each employee participating in the plan. Amounts credited to individual participants are 50% vested the first year, 75% vested the second year and 100% vested the third year. The accumulated monies are paid upon a participant's retirement or termination.

For the years ended June 30, 2011 and 2010, the Center's required and actual contributions amounted to \$16,183 and \$16,266 respectively, which is 5% of each year's covered payroll of \$323,660 and \$325,320 respectively. The Center's total fiscal year payroll for all employees was \$324,853 for June 30, 2011 and \$321,893 for June 30, 2010.

(6) Center Risk Management

West Iowa Community Mental Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(7) Financial Instruments and Credit Risk

The Center grants credit in the form of accounts receivable for professional services. The accounts receivable are collectible from private pay individuals as well as third party payors including Medicare, Title XIX and various insurance companies. Also, the Center received sixteen and seventeen percent of its total public support and revenues for the years ended June 30, 2011 and 2010 from Crawford County.



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To the Board of Directors  
West Iowa Community Mental Health Center

In planning and performing our audit of the financial statements of West Iowa Community Mental Health Center as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered West Iowa Community Mental Health Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in West Iowa Community Mental Health Center's internal control to be significant deficiencies:

Segregation of Duties - We realize that with staffing limitation, segregation of duties is difficult. The Center should review the operating procedures to obtain the maximum level of internal control possible. Supervisory review of financial transactions and reports is extremely important when incompatible responsibilities can not be segregated.

This communication is intended solely for the information and use of management, the board of directors, and others within the Center, and is not intended to be and should not be used by anyone other than these specified parties.

*Mahoney & Gotto Company*  
MAHONEY & GOTTO COMPANY  
Certified Public Accountants

October 3, 2011  
Denison, Iowa